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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

SPECS Surface Nano Analysis GmbH, et al., NO. C 11-00393 JW
NO. C 10-04250 JW

Plaintiffs,
v.
Rickmer Kose,
Defendant.

**ORDER DENYING DEFENDANT'S
MOTION TO DISMISS; REQUIRING
PLAINTIFFS TO JOIN SPECS USA AS A
DEFENDANT**

SPECS USA Corp.,
Plaintiff,
v.
SPECS Surface Nano Analysis GmbH, et al.,
Defendants.

I. INTRODUCTION

SPECS Surface Nano Analysis GmbH and SPECS Surface Nano Analysis, Inc. (collectively, "Plaintiffs"), bring this action against Rickmer Kose ("Defendant"), alleging, *inter alia*, violations of the Lanham Act, 15 U.S.C. § 1125(a), and various state law claims. Plaintiffs allege that Defendant wrongfully retained money paid to him by third parties for Plaintiffs' products, and that Defendant's use of the website www.specsus.com constitutes cybersquatting in violation of the Lanham Act.

1 Presently before the Court is Defendant's Motion to Dismiss.¹ The Court finds it appropriate
 2 to take the Motion under submission without oral argument. See Civ. L.R. 7-1(b). Based on the
 3 papers submitted to date, the Court DENIES Defendant's Motion to Dismiss.² However, the Court
 4 requires that Plaintiffs join SPECS USA Corp. as a Defendant because it is a necessary party.

5 **II. BACKGROUND**

6 In a Complaint³ filed on January 26, 2011, Plaintiffs allege as follows:

7 Plaintiffs are a German corporation with its principal place of business in Germany
 8 and a Florida corporation with its principal place of business in Florida. (Complaint ¶¶ 1-2.)
 9 Defendant is an individual doing business in California. (Id. ¶ 3.) He is the sole owner and
 10 principal of SPECS USA Corp. ("SPECS USA"), which is registered as a California
 11 Company with the California Secretary of State. (Id.) Defendant dominates and controls
 12 SPECS USA's actions such that SPECS USA is a mere shell, instrumentality, and conduit
 13 through which Defendant has acted and continues to act. (Id. ¶ 4.)

14 Plaintiffs and Defendant had financial transactions resulting in the sale of Plaintiffs'
 15 products to third parties for certain sums. (Complaint ¶ 26.) As a result of those
 16 transactions, Defendant owes Plaintiffs a total of €37,267.45, which Defendant has not paid
 17 to Plaintiffs. (Id. ¶¶ 28-36.) Also, Defendant has used the website www.specsus.com to

18 ¹ (See Defendant's Notice of Motion and Motion to Dismiss Complaint, Docket Item No.
 19 16; see also Defendant's Memorandum of Points and Authorities in Support of Motion to Dismiss
 20 Complaint, hereafter, "Motion," Docket Item No. 15.)

21 ² In its Motion, Defendant contends that this case "should be dismissed under [Fed. R. Civ.
 22 P.] 19(a)(1)." (Motion at 2.) However, Rule 19(a)(1) does not provide for dismissal of cases.
 23 Rather, as discussed below, Rule 19(a)(1) requires a court to join an absent party if that party is
 24 deemed "necessary" to the case. A case can only be dismissed under Rule 19(b), which requires the
 25 Court to consider whether it should "in equity and good conscience" dismiss a case if a necessary
 26 party cannot be joined. Fed. R. Civ. P. 19(b); see generally Confederated Tribes of Chehalis Indian
Res. v. Lujan, 928 F.2d 1496, 1500 (9th Cir. 1991) (O'Scannlain, J., concurring in part and
 dissenting in part) (explaining that while Rule 19(a) "prescribes standards for determining whether a
 non-party is 'necessary' to the litigation," Rule 19(b) "prescribes standards for determining whether a
 non-party is 'indispensable,' so that litigation cannot proceed in that non-party's absence").
 Defendant does not move under Rule 19(b). Accordingly, the Court construes the Motion as a
 Motion to Dismiss or, in the alternative, for joinder under Rule 19(a)(1).

27 ³ (hereafter, "Complaint," Docket Item No. 1.)

1 offer on behalf of SPECS USA products identical or substantially similar to those
2 manufactured and sold by Plaintiffs. (*Id.* ¶ 23.)

3 On the basis of the allegations outlined above, Plaintiffs allege eleven causes of action: (1)
4 Open Book Account; (2) Money Had and Received; (3) Goods and Services Rendered; (4) Account
5 Stated; (5) Conversion; (6) Unfair Competition under the Lanham Act, 15 U.S.C. § 1125(a); (7)
6 Cybersquatting under 15 U.S.C. § 1125(d)(1)(A); (8) Unfair Business Practices under California
7 Business & Professions Code ¶¶ 17200, *et seq.*; (9) Deceptive Advertising under California Business
8 & Professions Code ¶¶ 17500, *et seq.*; (10) Common Law Unfair Competition; and (11) Unjust
9 Enrichment.⁴

10 Presently before the Court is Defendant's Motion to Dismiss.

11 III. STANDARDS

12 Under Fed. R. Civ. P. 12(b)(7), a party may bring a motion to dismiss for "failure to join a
13 party under Rule 19." Rule 19 governs compulsory joinder of parties. "A Rule 12(b)(7) motion will
14 be granted only if the court determines that joinder of the party is not possible, and that the party is,
15 in fact, 'indispensable.'" Mintel Learning Tech., Inc., v. Beijing Kaidi Educ., No. C 06-7541 PJH,
16 2007 WL 2288329, at *11 (N.D. Cal. Aug. 9, 2007) (citing Shermoen v. United States, 982 F.2d
17 1312, 1317 (9th Cir. 1992)).

18 IV. DISCUSSION

19 Defendant moves to dismiss on the ground that Plaintiffs failed to join an indispensable party
20 under Fed. R. Civ. P. 19(a)(1), namely, SPECS USA. (Motion at 6-9.) Plaintiffs respond that
21 SPECS USA is not an indispensable party to the action, because SPECS USA is merely an alter ego
22 of Defendant.⁵

23

24 ⁴ This case is related to SPECS USA CORP. v. SPECS Surface Nano Analysis GmbH, et al.,
25 No. 10-4250 JW (hereafter, "Related Case"). (See Docket Item No. 8.) In the Related Case, SPECS
USA is the plaintiff, while Plaintiffs in the present action are the defendants.

26 ⁵ (See Opposition to Defendant Rickmer Kose's Motion to Dismiss at 3-10, hereafter,
27 "Opp'n," Docket Item No. 17.)

1 To find that an absent party is “indispensable,” the court must first deem the party
 2 “necessary” under Rule 19(a)(1). Schnabel v. Lui, 302 F.3d 1023, 1029 (9th Cir. 2002). A party is
 3 “necessary” under Rule 19 under either of two conditions. First, a party is necessary if, in that
 4 party's absence, the court is unable to accord complete relief to the parties present. Fed. R. Civ. P.
 5 19(a)(1). In the context of Rule 19, “complete relief” means that the existing parties can get
 6 meaningful recovery for their claims without multiple lawsuits on the same cause of action.
 7 Northrop Corp. v. McDonnell Douglas Corp., 705 F.2d 1030, 1043 (9th Cir. 1983). The
 8 “completeness” of relief under Rule 19 “must be analyzed within . . . the four corners of the
 9 complaint,” because the relevant question for Rule 19 “must be whether success in the litigation can
 10 afford the plaintiffs the relief *for which they have prayed.*” Lujan, 928 F.2d at 1501 (O'Scannlain,
 11 J., concurring in part and dissenting in part) (emphasis in original). Second, a party is necessary if
 12 disposition of the case without that party would as a practical matter impair that party's ability to
 13 protect his interests, or would subject existing parties to multiple or inconsistent obligations. Fed. R.
 14 Civ. P. 19(a)(2). If a necessary party has not been joined, and if that party is subject to process and
 15 joinder will not deprive the court of subject-matter jurisdiction, “the court must order that the person
 16 be made a party.” Fed. R. Civ. P. 19(a)(1)-(2).

17 Here, Plaintiffs' Complaint prays, *inter alia*, that “SPECS USA CORP. take nothing by way
 18 of its Complaint” in the Related Case. (Complaint at 17.) Thus, in order to afford Plaintiffs the
 19 complete relief for which they have prayed, SPECS USA is a necessary party to this action. Lujan,
 20 928 F.2d at 1501. Accordingly, the Court finds that SPECS USA is a necessary party under Rule
 21 19(a)(1).⁶

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 24 ⁶ As discussed previously, under Rule 19(a) a necessary party “who is subject to service of
 25 process and whose joinder will not deprive the court of subject-matter jurisdiction must be joined”
 26 if, in that party's absence, the Court cannot accord complete relief among existing parties. Here,
 27 SPECS USA is subject to service of process from this Court, as it is “registered with the California
 Secretary of State as a California Company.” (Complaint ¶ 3.) Further, joinder of SPECS USA will
 not deprive the Court of subject-matter jurisdiction, as the Court has federal question jurisdiction
 under the Lanham Act, 15 U.S.C. § 1125. (Id. ¶ 5.)

1 Plaintiffs contend that joinder of SPECS USA is not required because they have alleged that
 2 SPECS USA is merely the alter ego of Defendant. (Opp'n at 5-9.) This contention misstates the
 3 law. At the pleading stage, it is not sufficient to "make conclusory allegations of control" in support
 4 of an alter ego allegation. Lovesy v. Armed Forces Ben. Ass'n, No. C 07-2745 SBA, 2008 WL
 5 696991, at *4 (N.D. Cal. Mar. 13, 2008). Instead, "[a]t a minimum," a plaintiff "must set forth
 6 'sufficiently specific factual allegations' to support an alter ego claim in order to overcome a motion
 7 to dismiss." Id. Here, however, Plaintiffs merely allege that Defendant "has directed and controlled
 8 and continues to direct and control SPECS USA CORP.'s actions such that SPECS USA CORP. is a
 9 mere shell, instrumentality, [or] conduit through which [Defendant] has acted and continues to act."
 10 (Complaint ¶ 4.) Such conclusory allegations of control are insufficient to support Plaintiffs' alter
 11 ego claim. Lovesy, 2008 WL 696991, at *4.

12 Accordingly, the Court DENIES Defendant's Motion to Dismiss as it was brought under an
 13 incorrect rule. However, because the Court finds that SPECS USA is a necessary party under Fed.
 14 R. Civ. P. 19(a), Plaintiffs shall join SPECS USA as a Defendant.⁷

15 **V. CONCLUSION**

16 The Court DENIES Defendant's Motion to Dismiss. The Court ORDERS that SPECS USA
 17 be made a party to the action. On or before **July 1, 2011**, Plaintiffs shall file their Amended
 18 Complaint consistent with the terms of this Order.

19 In addition, the Court sets **July 11, 2011 at 10 a.m.** for a Case Management Conference in
 20 both this case and the Related Case. On or before **July 1, 2011**, the parties in both cases shall file
 21 Joint Case Management Statements including, *inter alia*, their positions with respect to the Court's

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 24 ⁷ In its Reply, Defendant further contends that the Court should dismiss this action pursuant
 25 to Fed. R. Civ. P. 41(b) and require Plaintiffs to refile their claims as a Cross-Complaint in the
 26 Related Case. (See Defendant's Reply to Opposition to Motion to Dismiss Complaint at 6-8, Docket
 27 Item No. 18.) Because Defendant does not move for dismissal pursuant to Rule 41(b) in its Motion
 to Dismiss, the Court does not reach this issue. However, the Court gives notice that at the
 upcoming Case Management Conference for both cases, the Court intends to consolidate the two
 cases.

1 intent to consolidate these cases and a good faith proposed schedule on how the cases should
2 proceed.

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5 Dated: June 23, 2011

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JAMES WARE
United States District Chief Judge

1 **THIS IS TO CERTIFY THAT COPIES OF THIS ORDER HAVE BEEN DELIVERED TO:**

2 Garth Aaron Rosengren grosengren@kksrr.com
3 James Harold Vorhis jvorhis@nossaman.com
3 Kenneth E. Keller kkeller@kksrr.com
4 Michael David Lisi mlisi@kksrr.com

5 **Dated: June 23, 2011**

Richard W. Wiking, Clerk

6 **By: /s/ JW Chambers**

7 **Susan Imbriani**
8 **Courtroom Deputy**